

CEDAR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	5-12
BASIC FINANCIAL STATEMENTS	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	14-15
B Statement of Activities	16
Governmental Fund Financial Statements:	
C Balance Sheet	18-21
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	22
E Statement of Revenues, Expenditures and Changes in Fund Balances	24-25
F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	26
Proprietary Fund Financial Statements:	
G Statement of Net Assets	27
H Statement of Revenues, Expenses, and Changes in Net Assets	28
I Statement of Cash Flows	29
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities – Agency Funds	30
Notes to Financial Statements	31-45
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	48-49
Budget to GAAP Reconciliation	50
Notes to Required Supplementary Information – Budgetary Reporting	51
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	54-55
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	56-57
Nonmajor Internal Service Funds:	
3 Statement of Net Assets	58
4 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	59
5 Combining Statement of Cash Flows	60
Agency Funds:	
6 Combining Schedule of Fiduciary Assets and Liabilities	62-65
7 Combining Schedule of Changes in Fiduciary Assets and Liabilities	66-69
8 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	70
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING	71-72
SCHEDULE OF FINDINGS	73-78

CEDAR COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Jon Bell	Board of Supervisors	Jan. 2005
Billy Campion	Board of Supervisors	Jan. 2005
Dennis Boedeker	Board of Supervisors	Jan. 2005
Dennis L. Weih	Board of Supervisors	Jan. 2007
LeRoy Moeller	Board of Supervisors	Jan. 2007
Betty Ellerhoff	County Auditor	Jan. 2005
Gary R. Jedlicka	County Treasurer	Jan. 2007
Charline Thumm	County Recorder	Jan. 2007
Dan Hannes	County Sheriff	Jan. 2005
Lee Beine	County Attorney	Jan. 2007
Debra Miller	County Assessor	Jan. 2004
(After January 2004)		
Jon Bell	Board of Supervisors	Jan. 2005
Billy Campion	Board of Supervisors	Jan. 2005
Dennis Boedeker	Board of Supervisors	Jan. 2005
Dennis L. Weih	Board of Supervisors	Jan. 2007
LeRoy Moeller	Board of Supervisors	Jan. 2007
Betty Ellerhoff	County Auditor	Jan. 2005
Gary R. Jedlicka	County Treasurer	Jan. 2007
Charline Thumm	County Recorder	Jan. 2007
Dan Hannes	County Sheriff	Jan. 2005
Lee Beine	County Attorney	Jan. 2007
Debra Miller	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Cedar County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Cedar County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar County at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2005 on our consideration of Cedar County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cedar County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
January 20, 2005

**CEDAR COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2004**

Management of Cedar County provides this Management's Discussion and Analysis of Cedar County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

County governmental funds revenue increased 7.3% or \$979,640 from FY2003 to FY2004. Net Property and other County taxes increased \$321,374, primarily due to local option tax revenue. Intergovernmental revenue, which includes grants and contributions, increased by \$639,394 as a result of an increase in road use tax, bridge replacement and public health grants revenue. County program expenses were 4.3% higher, (or \$555,090) in FY2004, than FY2003. Roads and transportation expense decreased \$177,401, attributable to a reduction in new equipment purchases.

USING THE ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Cedar County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cedar County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cedar County acts solely as an agent or custodian for the benefit of those outside the government. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Other supplementary information provides detailed information about the nonmajor governmental funds and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting, used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities, and capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs.

The Governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds account for the County's employee group health insurance and cafeteria plan, which are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The Proprietary funds' required financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds, among which are included Emergency Management Services, the County Assessor, and the E-911 Service Board.

The Fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in Net Assets of Governmental Activities

	Governmental Activities		
	FY2004	FY2003	% Difference
Revenues:			
Program revenue			
Charges for services	1,736,466	1,510,204	14.98
Operating grants	4,999,636	4,473,809	11.75
Capital grants	1,383,359	397,348	248.15
General revenue:			
Property and other taxes	7,113,425	6,690,840	6.32
Penalty/interest on property taxes	42,988	53,615	-19.82
State tax credits	315,851	328,874	- 3.96
Unrestricted grants	127,766	143,371	-10.88
Unrestricted investment earnings	87,138	138,148	-36.92
Miscellaneous	76,357	64,615	18.17
Total revenue	15,882,986	13,800,824	15.09
Program expenses:			
Public safety and legal services	2,116,653	2,132,635	-0.75
Physical health and social services	1,078,306	1,041,190	3.56
Mental health	2,303,103	2,331,646	-1.22
County environment and education	823,900	751,763	9.60
Roads and transportation	5,200,505	4,668,109	11.40
Government services to residents	405,075	354,479	14.27
Administration	1,290,596	1,251,524	3.12
Interest on long-term debt	117,915	126,452	- 6.75
Capital projects	185,551	394,361	-52.95
Total expenses	13,521,604	13,052,159	3.60
Increase in net assets	2,361,382	748,665	215.41
Net assets July 1, 2002 & 2003, as restated	22,725,568	21,976,903	3.41
Net assets June 30, 2003 & 2004	25,086,950	22,725,568	10.39

As noted earlier, net assets may serve over time as a useful indicator of financial position.

Net Assets of Governmental Activities

	<u>2004</u>	<u>2003</u>	<u>%Difference</u>
Current and other assets	13,109,297	12,571,664	4.28
Capital assets	21,508,680	19,767,678	8.81
Total assets	34,617,977	32,339,342	7.05
Long-term liabilities	3,269,973	3,895,756	-16.06
Other liabilities	6,261,054	6,718,018	- 6.80
Total liabilities	9,531,027	10,613,774	-10.20
Net assets			
Invested in capital assets, net of related debt	18,783,680	17,525,032	7.18
Restricted	4,568,216	3,443,689	32.65
Unrestricted	1,735,054	1,756,847	- 1.24
Total net assets	25,086,950	22,725,568	10.39

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$6.7 million, as compared to last year's balance of \$5.9 million. The increase in fund balance is primarily attributable to the receipt of local option tax revenue and boarding out of county prisoners. The County funds received approximately \$979,000 more revenue than was received in operating revenues for the prior year. The following are reasons for the changes in fund balance.

- General Fund revenues increased \$242,250, when compared to the prior year. Expenditures increased \$251,658 primarily due to higher costs for physical health & social services programs and administration. The ending fund balance showed a decrease from the prior year of \$149,147 to \$1,994,926.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures increased by less than 1%, or \$16,626. The Mental Health Fund balance at year end increased \$65,118.
- Rural Services Basic Fund revenues increased by \$22,749 for FY04. Expenditures increased \$202. The primary function for the fund is for transfers to the Secondary Road Fund. Transfers made to the Secondary Roads Fund totaled \$1,546,282 for fiscal year 2004, down \$32,222 from the prior year. County contributions to libraries were \$47,000 for the fiscal year, as well as the prior year.

- Secondary Roads Fund expenditures increased by \$66,714 over the prior year. Revenue increased by \$409,687, primarily due to prior year grants for projects completed in the prior year. The Secondary Roads Fund ending balance for the year was increased by \$298,850.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following the required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget twice. The amendments were made in November 2003 and May 2004, and resulted in a \$426,262 increase in revenues from the original certified budget. The increase is primarily attributable to local option taxes, road use taxes and charges for services. The amendments resulted in a \$450,231 increase in expenditures from the original certified budget. The County did not exceed any of the ten functions for the year ended June 30, 2004.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY04, Cedar County had approximately \$21 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of approximately \$17 million of accumulated depreciation.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Obligations

At year end, the County had \$2,725,000 in bonds and notes payable compared to \$3,300,000 last year. The rate of retirement of the debt for the construction of the Cedar County Law Center is projected to be rapid, with 100% of the principal to be retired by FY2010. The final payment on the County's Capital Loan Notes, Series 1999 occurred in FY04.

More detail is presented in Note 7 to the financial statements.

The County's general obligation bond rating of A2, as set in FY02, reflects the County's modest tax base, a satisfactory financial position defined by strong reserves and a low debt burden. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below the limit.

Other obligations include accrued vacation pay and sick leave and landfill post closure monitoring costs. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS, AND NEXT YEAR'S BUDGETS, AND RATES

Cedar County's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and the fees that will be charged for the various County services. Factors include the economy; local option tax revenue and other counties need for prisoner room and board, as well as state funding expectations.

These indicators were taken into account when adopting the General Fund budget for FY2005.

The County has added no major new programs or initiatives to the FY2005 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Cedar County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Cedar County, 400 Cedar Street, Tipton, IA 52772.

Basic Financial Statements

CEDAR COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>General Funds</u>
Net Assets	
Invested capital assets, net of related debt	\$ 18,736
Restricted for:	
Spendable by purpose	1,086
Mental health purposes	48,579
Rural services	11,647
Secondary roads	236,733
Capital projects	4,086
On special revenue purposes	150,715
Unrestricted	<u>1,750,64</u>
Total net assets	\$ 2,508,90
Source of financial statements	

CEDAR COUNTY

STATEMENT OF NET ASSETS
June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 2,116,653	\$ 483,161	\$ 55,085	\$ -	(1,578,407)
Physical health and social services	1,078,306	152,989	447,941	-	(477,376)
Mental health	2,303,103	167,935	1,214,412	-	(920,756)
County environment and education	823,900	467,104	15,051	-	(341,745)
Roads and transportation	5,200,505	109,461	3,237,075	1,383,359	(470,610)
Government services to residents	405,075	344,444	30,072	-	(30,559)
Administration	1,290,596	11,372	-	-	(1,279,224)
Interest on long-term debt	117,915	-	-	-	(117,915)
Capital projects	185,551	-	-	-	(185,551)
Total	\$ 13,521,604	\$ 1,736,466	\$ 4,999,636	\$ 1,383,359	(5,402,143)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,719,572
Debt service					166,304
Penalty and interest on property tax					42,988
State tax credits					315,851
Local option sales and services tax					1,227,549
Grants and contributions not restricted to a specific purpose					127,766
Unrestricted investment earnings					87,138
Miscellaneous					76,357
Total general revenues					7,763,525
Change in net assets					2,361,382
Net assets beginning of year, as restated (note 13)					22,725,568
Net assets end of year					\$ 25,086,950
See notes to financial statements.					

CEDAR COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Total fund balances of governmental funds \$ 6,733,542

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not current financial
resources and, therefore, are not reported as assets in the governmental
funds. The cost of assets is \$38,248,666 and the accumulated depreciation
is \$16,739,986. 21,508,680

Other long-term assets are not available to pay current period expenditures
and, therefore, are deferred in the governmental funds. 101,211

The Internal Service Funds are used by management to charge the costs of
self funding of the County's dental insurance benefit plan to individual
funds and to handle the costs of the employee flex benefit plan. The assets
and liabilities of the Internal Service Funds are included in governmental
activities in the statement of net assets. 21,870

Accrued interest payable on long-term liabilities is not due and payable in
the current period and, therefore, is not reported as a liability in the
governmental funds. (8,380)

Long-term liabilities, including bonds payable, landfill postclosure monitoring
costs, and compensated absences payable, are not due and payable in the
current period and, therefore, are not reported as liabilities in the
governmental funds. (3,269,973)

Net assets of governmental activities \$ 25,086,950

See notes to financial statements

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CEDAR COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

Net change in fund balances - total governmental funds \$ 817,712

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The amount of capital outlays and depreciation expense in the current year are as follows:

	Capital outlays	\$ 883,229	
Capital assets contributed by the Iowa Department of Transportation	1,383,359		
Depreciation expense	<u>(1,525,586)</u>		741,002

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax 101,211

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 599,333

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

	Compensated absences	26,450	
Interest on long-term debt	<u>1,600</u>		28,050

The Internal Service Funds are used by management to charge the costs of employee dental benefits to individual funds and to handle the County's cafeteria plan. The change in net assets of the Internal Service Fund is reported with governmental activities. 74,074

Change in net assets of governmental activities \$ 2,361,382

See notes to financial statements.

	Nonmajor Internal Service Funds
Assets	
Cash and cash equivalents	\$ 34,979
Liabilities	
Accounts payable	4,929
Reserve for incurred but not reported claims	8,180
Total liabilities	13,109
Net Assets	
Unrestricted	\$ 21,870
See notes to financial statements.	

CEDAR COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	Nonmajor Internal Service Funds
	<u> </u>
Operating revenues:	
Charges for services	\$ 213,152
Stop-loss recoveries	24,558
Payroll contributions	<u>6,034</u>
Total operating revenues	<u>243,744</u>
Operating expenses:	
Medical and dental claims	114,203
Insurance premiums	49,599
Administrative fees	1,096
Qualified expenses	<u>6,855</u>
Total operating expenses	<u>171,753</u>
Operating income	71,991
Non-operating revenues:	
Interest on investments	<u>2,083</u>
Net income	74,074
Net assets beginning of year	<u>(52,204)</u>
Net assets end of year	<u>\$ 21,870</u>
See notes to financial statements.	

	Nonmajor Internal Service Funds
Cash flows from operating activities:	
Cash received from charges	\$ 216,174
Cash received from stop-loss recoveries	24,558
Cash received from miscellaneous operating activities	6,034
Cash payments to suppliers for services	(341,152)
Net cash used in operating activities	<u>(94,386)</u>
Cash flows from investing activities:	
Interest on investments	<u>3,508</u>
Net decrease in cash and cash equivalents	(90,878)
Cash and cash equivalents at beginning of year	<u>125,857</u>
Cash and cash equivalents at end of year	<u>\$ 34,979</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 71,991
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	3,022
(Decrease) in accounts payable	(61,277)
(Decrease) in incurred but not reported claims	<u>(108,122)</u>
Net cash used in operating activities	<u>\$ (94,386)</u>

See notes to financial statements.

CEDAR COUNTY
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Assets

Cash and pooled investments:

County Treasurer	\$ 922,927
Other County officials	242,895

Receivables:

Property tax receivable:

Delinquent	83,873
Succeeding year	13,696,000

Accounts	31,565
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Accrued interest	<u>24</u>
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Total assets	<u><u>\$ 14,977,284</u></u>
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Liabilities

Accounts payable	\$ 33,100
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Salaries and benefits payable	5,534
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Due to other governments (note 6)	14,869,693
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Trusts payable	51,276
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Compensated absences	<u>17,681</u>
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Total liabilities	<u><u>\$ 14,977,284</u></u>
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See notes to financial statements.

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CEDAR COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

AGS	AGS
<hr/>	<hr/>
Income	\$ 500
Indistinguishable	500
Expenditures	2

	11
	12
13	14

15	16
17	18
19	20
21	22
23	24

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CEDAR COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

<u>Transfer to</u>	<u>Transfer from</u>	<u>A m o u n t</u>
Special Revenue:		
Secondary Roads	General	\$ <u>129,839</u>
Secondary Roads	Special Revenue:	
	Rural Services	<u>1,546,282</u>
Solid W aste D isposal	Rural Services	<u>50,000</u>
Debt Service	Local Option Sales and	
	Services Tax	<u>517,715</u>
Capital Projects:		
Conservation Building	General	<u>12,100</u>
Conservation Building	Special Revenue:	
	Conservation Land Acquisition	<u>40,000</u>
General	Capital Projects:	
	Conservation Building	<u>2,738</u>
		\$ <u><u>2,298,674</u></u>

CEDAR COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2004

	Balance Beginning of Year, as Restated (note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 500,570	\$ -	\$ 26,000	\$ 474,570
Capital assets being depreciated:				
Buildings	4,353,167	137,885	27,560	4,463,492
Improvements other than buildings	42,200	-	-	42,200
Machinery and equipment	5,492,134	318,481	46,974	5,763,641
Infrastructure	25,844,328	1,836,222	175,787	27,504,763
Total capital assets being depreciated	35,731,829	2,292,588	250,321	37,774,096
Less accumulated depreciation for:				
Buildings	967,037	156,133	27,560	1,095,610
Improvements other than buildings	20,367	549	-	20,916
Machinery and equipment	3,434,441	337,020	46,974	3,724,487
Infrastructure	11,042,876	1,031,884	175,787	11,898,973
Total accumulated depreciation	15,464,721	1,525,586	250,321	16,739,986
Total capital assets being depreciated, net	20,267,108	767,002	-	21,034,110
Governmental activities capital assets, net	\$ 20,767,678	\$ 767,002	\$ 26,000	\$ 21,508,680

CEDAR COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

Governmental activities	
Public safety and legal services	\$ 12,174
Physical health and social services	528
Mental health	592
County environmental education	5496
Road and transportation	129,388
Government services to residents	500
Administration	<u>3,908</u>
Total depreciation expense - governmental activities	<u><u>\$ 152,586</u></u>

CEDAR COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
General	Services	\$ 10,303	\$ -	\$ 10,303
Special Revenue:				
Mental Health	Services	158,508	-	158,508
Secondary Roads	Services	818	-	818
		<u>159,326</u>	<u>-</u>	<u>159,326</u>
Total for governmental funds		<u>\$ 169,629</u>	<u>\$ -</u>	<u>\$ 169,629</u>
Agency:				
County Assessor	Collections	\$ 229,207	\$ 306,816	\$ 536,023
Schools		148,478	9,254,942	9,403,420
Community College		7,587	461,758	469,345
Corporations		34,350	3,418,424	3,452,774
Townships		4,305	263,492	267,797
Auto License and Use Tax		361,929	-	361,929
All Other		<u>303,964</u>	<u>74,441</u>	<u>378,405</u>
Total for agency funds		<u>\$ 1,089,820</u>	<u>\$ 13,779,873</u>	<u>\$ 14,869,693</u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

Cedar County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Cedar County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Cedar County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Cedar County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Cedar County Auditor's office.

The Cedar County Solid Waste Commission has been established pursuant to Chapter 28E of the Code of Iowa for the disposal of solid waste and the acquisition, operation and use of public disposal areas. Although the Commission is legally separate from the County, the Commission provides services almost entirely to the County and it would be considered misleading to exclude the Commission due to its relationship with the County. The Solid Waste Commission's Solid Waste Disposal Fund is reported as a Special Revenue Fund. Financial information of the Solid Waste Commission can be obtained from the Cedar County Auditor's office.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Cedar County Assessor's Conference Board, Cedar County Emergency Management Commission, and Cedar County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Local Option Sales and Services Tax Fund is used to account for the County's share of the local option taxes.

Additionally, the County reports the following funds:

Proprietary Fund - Two Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

CEDAR COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

	General Obligation Bonds	Capital Loan Notes	Promissory Notes Payable	Estimated Liability for Landfill Postclosure Monitoring	Compensated Absences	Total
Balance beginning of year	\$ 3,130,000	\$ 170,000	\$ 10,333	\$ 224,000	\$ 361,423	\$ 3,895,756
Increases	-	-	-	-	316,902	316,902
Decreases	405,000	170,000	10,333	14,000	343,352	942,685
Balance end of year	\$ 2,725,000	\$ -	\$ -	\$ 210,000	\$ 334,973	\$ 3,269,973
Due within one year	\$ 420,000	\$ -	\$ -	\$ 14,000	\$ 318,224	\$ 752,224

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Year Ending June 30,	Refunding Issue of November 1, 2001		
	Interest Rates	Principal	Interest
2005	3.25 %	\$ 420,000	\$ 100,565
2006	3.30	430,000	86,915
2007	3.75	445,000	72,725
2008	3.75	465,000	56,038
2009	4.00	475,000	38,600
2010	4.00	490,000	19,600
Total		\$ 2,725,000	\$ 374,443

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables and other receivables not collected within sixty days after year end.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the ten functions and disbursements did not exceed any departmental appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$427,306 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Unpaid claims at July 1, 2003	\$ 181,748
Included claims (including claims incurred but not reported at June 30, 2004):	
Total incurred claims	37,200
Payments:	
Claims attributable to current-year events where the County has retained risk of loss	210,768
Unpaid claims at June 30, 2004	\$ 8,180

This balance represents a long-term loan between the Secondary Roads Fund and the Tax Increment Financing Fund.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Year Ending				
June 30	Principal	Interest	Total	
2005	\$ 4,615	\$ 335	\$ 4,950	
2006	3,793	972	4,765	
	<u>\$ 8,408</u>	<u>\$ 437</u>	<u>\$ 8,845</u>	

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2004 is as follows:

	Governmental Activities Net <u>Assets</u>	Capital Assets Net of Accumulated <u>Depreciation</u>
Amount as previously reported	\$ 21,725,568	\$ 19,767,678
Correction of prior year error	<u>1,000,000</u>	<u>1,000,000</u>
Amount as restated	<u><u>\$ 22,725,568</u></u>	<u><u>\$ 20,767,678</u></u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2004

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

			Less Funds not Required to be Budgeted		
	A c t u a l		B u d g e t e d		N e t
R E C E I P T S :					
Property and other County tax	\$ 7,000,189	\$	-	\$	7,000,189
Interest and penalty on property tax	42,990	-	-	-	42,990
Intergovernmental	5,805,204	-	-	-	5,805,204
Licenses and permits	38,487	-	-	-	38,487
Charges for service	1,069,493	-	-	-	1,069,493
Use of money and property	134,122	31	-	-	134,091
Miscellaneous	81,267	-	-	-	81,267
Total receipts	<u>14,182,352</u>		<u>31</u>		<u>14,182,321</u>
D I S B U R S E M E N T S :					
Public safety and legal services	2,122,788	-	-	-	2,122,788
Physical health and social services	1,094,071	-	-	-	1,094,071
Mental health	2,276,210	-	-	-	2,276,210
County environment and education	2,726,994	-	-	-	2,726,994
Roads and transportation	4,263,252	-	-	-	4,263,252
Government services to residents	399,886	-	-	-	399,886
Administration	1,282,696	-	-	-	1,282,696
Debt service	694,515	-	-	-	694,515
Capital projects	348,451	1,245	-	-	347,206
Total disbursements	<u>13,574,363</u>		<u>1,245</u>		<u>13,575,608</u>
Excess (deficiency) of receipts over (under) disbursements	427,689	(1,214)	-	-	428,903
Other financing sources, net	<u>60,921</u>		<u>-</u>		<u>60,921</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	488,610	(1,214)	-	-	489,824
Balance beginning of year	5,285,422		9,900		5,295,322
Balance end of year	<u>\$ 5,774,032</u>	<u>\$</u>	<u>8,686</u>	<u>\$</u>	<u>5,782,718</u>

See accompanying independent auditor's report.

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

B u d g e t e d		A m o u n t s		F i n a l t o	
O r i g i n a l		F i n a l		N e t	
				V a r i a n c e	
\$	6,850,481	\$	7,011,081	\$	(10,892)
	33,400		33,400		9,590
5	617,940	5	856,068		(50,864)
	30,454		32,354		6,133
	800,534		915,152		154,341
	168,600		144,765		(10,674)
	114,868		49,719		42,048
	<u>13,616,277</u>		<u>14,042,539</u>		<u>139,682</u>
	2,136,040		2,202,136		79,348
	1,237,646		1,292,934		198,863
	2,365,409		2,365,409		89,199
	921,210		922,442		49,748
4	321,971	4	470,971		207,719
	397,754		431,661		31,775
1	303,563	1	357,771		75,075
	694,665		694,665		150
	865,000		955,500		208,294
	<u>14,243,258</u>		<u>14,693,489</u>		<u>940,171</u>
	(626,981)		(650,950)		1,079,853
	<u>1,000</u>		<u>53,750</u>		<u>7,171</u>
	(625,981)		(597,200)		1,087,024
	<u>3,942,811</u>		<u>3,942,811</u>		<u>1,352,711</u>
\$	<u>3,316,830</u>	\$	<u>3,345,611</u>	\$	<u>2,439,735</u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2004

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,182,252	\$ 200,743	\$ 14,382,995
Expenditures	13,754,563	(147,859)	13,606,704
Net	427,689	348,602	776,291
Other financing sources	60,921	(19,500)	41,421
Beginning fund balances	5,305,422	610,408	5,915,830
Ending fund balances	<u>\$ 5,794,032</u>	<u>\$ 939,510</u>	<u>\$ 6,733,542</u>

See accompanying independent auditor's report.

A summary of the County's June 30, 2004, general obligation bonded indebtedness is as follows:

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 33,238	\$ 22,692	\$ 8,686	\$ 19,999
Receivables:				
Property tax:				
Succeeding year	-	-	-	-
Accounts	521	-	-	-
Accrued interest	64	31	\$ -	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 33,823</u>	<u>\$ 22,723</u>	<u>\$ 8,691</u>	<u>\$ 19,999</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	33,823	22,723	8,691	19,999
Total fund equity	<u>33,823</u>	<u>22,723</u>	<u>8,691</u>	<u>19,999</u>
Total liabilities and fund equity	<u>\$ 33,823</u>	<u>\$ 22,723</u>	<u>\$ 8,691</u>	<u>\$ 19,999</u>

See accompanying independent auditor's report.

During the year ended June 30, 2004, the County retired \$405,000 of the bonds.

Landfill Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill in 1989 and plans to complete the period of postclosure monitoring in 2019. The County reports a portion of these postclosure care costs as a liability based on the remaining period of required monitoring as of each balance sheet date. The \$210,000 reported as estimated liability for landfill postclosure care costs at June 30, 2004, represents an estimate of \$14,000 per year for postclosure monitoring for the next sixteen years (the remaining period of required postclosure monitoring). Actual care costs may be different due to inflation, changes in technology, or changes in regulations.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$273,748, \$266,067, and \$255,662, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Risk Pool:

Cedar County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool to protect the County against tort liability, injuries to employees and other risks associated with County operations. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each members' annual contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County paid \$283,645 into the Pool for the fiscal year ending June 30, 2004.

Initial risk of loss is retained by the risk pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$350,000 per occurrence for general, automobile, law enforcement, legal liability, public officials, and workers' compensation liabilities and 100% of property losses in excess of \$100,000 per occurrence. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2004 the risk pool maintained a surplus over the reserves and IBNR claims.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 9. Risk Management (continued)

Risk Pool (continued):

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

The County has renewed its membership in the risk pool on an annual basis since July 1, 1989.

Self Insured Dental Benefit Plan:

The County has a self-funded dental insurance plan. The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 120% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in the plan year ended June 30, 2004.

Monthly payments of service fees and plan contributions to the Cedar County Employee Group Dental fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to The Benefit Group from the Cedar County Employee Group Dental Fund. The County records the plan assets and related liabilities of the Cedar County Employee Group Dental Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$216,174.

Amounts payable from the Employee Group Dental Fund at June 30, 2004 include \$8,180, which is for incurred but not reported (IBNR) claims, and \$4,929, which is for reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$21,870 at June 30, 2004 and is reported as net assets of the Employee Group Dental Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2004

Note 9. Risk Management (continued)

Solid Waste Disposal		Tax Increment Financing		Debt Service		Capital Projects Law Enforcement Center		Total	
\$	25,969	\$	3,898	\$	3,269	\$	49,015	\$	166,766
	-		17,000		-		-		17,000
	-		-		-		71		592
	168,836		-		-		-		100
									168,836
\$	194,805	\$	20,898	\$	3,269	\$	49,086	\$	353,294
\$	28,848	\$	-	\$	-	\$	-	\$	28,848
	2,891		-		-		-		2,891
	-		13,000		-		-		13,000
	-		-		-		-		-
	-		17,000		-		-		17,000
	31,739		30,000		-		-		61,739
	-		-		3,269		-		3,269
	163,066		(9,102)		-		49,086		288,286
	163,066		(9,102)		3,269		49,086		291,555
\$	194,805	\$	20,898	\$	3,269	\$	49,086	\$	353,294

Note 10. E-911 Notes Payable

On April 6, 2001, the Joint E-911 Service Board entered into a promissory note agreement with the local bank to purchase an E-911 system for the new law enforcement center. The note is payable in nineteen quarterly installments of \$12,000 beginning August 10, 2001, including interest at an effective rate of 5.460%.

The liability for the note (\$80,408 at June 30, 2004) is not included with the County's long-term liabilities since the note is to be paid from other than County resources.

A summary of the June 30, 2004 E-911 note payable is as follows:

Revenues:	Special Revenue			
	Property Taxes	County Income Tax	Capital Projects	Law Enforcement Center
Property and other County tax	\$	\$	\$	\$
Intergovernmental	8,141	22,689	-	-
County income tax	525	34	33	-
Use of money and property	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	8,666	22,723	33	-
Expenditures:				
Operating:				
County administration	-	-	-	-
Administration	-	-	-	-
Public safety	-	-	-	-
Capital projects	-	-	1,246	-
Total expenditures	-	-	1,246	-
Excess (deficiency) of revenues over (under) expenditures	8,666	22,723	(1,213)	-
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	(40,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	8,666	22,723	(1,213)	(40,000)
Fund balance beginning of year	27,389	-	8,003	55,999
Fund balance end of year	\$	\$	\$	\$

See accompanying independent auditor's report.

Note 11. Contingent Liability

The county is involved in litigation alleging negligence on the part of a County employee resulting in serious and permanent injury to the plaintiff. The outcome of this case cannot be determined at this time and any monetary damages cannot be reasonably estimated. The County's insurance carrier is affording coverage for this case.

Note 12. Financial Condition

The Special Revenue Fund, Tax Increment Financing, reported within the nonmajor governmental funds, had an unreserved, undesignated fund deficit of \$9,102 at June 30, 2004.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2004

Note 13. Restatement of Balances

The government-wide financial statements report the County's governmental activities. The beginning net asset amount for governmental activities has been restated to reflect a mathematical error included in the prior year totals. This correction has the following effect on the financial statement components as noted:

	Solid Waste (D-14-2-2-1)	Tax Incremental (E-14-2-2-1)	Debt (S-14-2-2-1)	Capital Programs (L-4-2-2-1)		Construction (B-14-2-2-1)	Total
				Reform (C-14-2-2-1)	Reform (C-14-2-2-1)		
\$	\$ 51,705	\$ 15,163	\$ 165,291	\$ -	\$ -	\$ -	\$ 180,454
	346,907	-	8,855	-	-	-	400,550
	2,588	-	-	998	-	-	3,776
	3,100	-	-	-	-	-	3,100
	404,300	15,163	174,146	998	-	-	635,817
	521,062	-	-	-	-	-	521,062
	-	18,000	-	-	-	-	18,000
	-	-	694,515	-	-	-	694,515
	321,082	18,000	694,515	19,599	89,362	-	1,143,783
	(116,762)	(2,837)	(520,369)	(18,601)	(89,362)	-	(719,966)
	50,000	-	517,715	-	40,000	-	617,000
	50,000	-	517,715	-	52,100	-	619,815
	-	-	-	-	(2,100)	-	(2,100)
	(66,762)	(2,837)	(2,654)	(18,601)	-	-	(102,859)
	229,828	(6,265)	5,922	67,687	-	-	299,444
\$	\$ 143,066	\$ (9,102)	\$ 5,266	\$ 49,086	\$ -	\$ -	\$ 299,155

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Required Supplementary Information

CEDAR COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
Required Supplementary Information
Year Ended June 30, 2004

	Employee Gap Data
<u>Assets</u>	
Cash and pooled investments	\$ 3499
<u>Liabilities</u>	
Accounts payable	499
Reserve for insured but not reported claims	8180
	<u>13109</u>
<u>Net Assets</u>	
Unrestricted	\$ 2180
See accompanying independent auditor's report.	

	IRS 125 Cafeteria Plan	Employee Group Dental	Total
Operating revenues:			
Charges for services	\$ -	\$ 213,152	\$ 213,152
Stop-loss recoveries	-	24,558	24,558
Payroll contributions	6,034	-	6,034
Total operating revenues	6,034	237,710	243,744
Operating expenses:			
Medical claims	-	114,203	114,203
Aggregate stop-loss premiums	-	49,599	49,599
Administrative fees	-	1,096	1,096
Qualified expenses	6,855	-	6,855
Total operating expenses	6,855	164,898	171,753
Operating income (loss)	(821)	72,812	71,991
Non-operating revenues:			
Interest on investments	-	2,083	2,083
Net income (loss)	(821)	74,895	74,074
Net assets beginning of year	821	(53,025)	(52,204)
Net assets end of year	\$ -	\$ 21,870	\$ 21,870

See accompanying independent auditor's report.

CEDAR COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	IR S 125 Cafeteria Plan	Em ployee G roup D ental	T otal
Cash flows from operating activities:			
Cash received from charges	\$ -	\$ 216,174	\$ 216,174
Cash received from stop-loss recoveries	-	24,558	24,558
Cash received from miscellaneous operating activities	6,034	-	6,034
Cash payments to suppliers for services	(7,615)	(333,537)	(341,152)
Net cash used in operating activities	(1,581)	(92,805)	(94,386)
Cash flows from investing activities:			
Interest on investments	-	3,508	3,508
Net decrease in cash and cash equivalents	(1,581)	(89,297)	(90,878)
Cash and cash equivalents at beginning of year	1,581	124,276	125,857
Cash and cash equivalents at end of year	\$ -	\$ 34,979	\$ 34,979
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (821)	\$ 72,812	\$ 71,991
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Decrease in accounts receivable	-	3,022	3,022
(Decrease) in accounts payable	(760)	(60,517)	(61,277)
(Decrease) in incurred but not reported claims	-	(108,122)	(108,122)
Net cash used in operating activities	\$ (1,581)	\$ (92,805)	\$ (94,386)

See accompanying independent auditor's report.

CEDAR COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, budget amendments increased budgeted disbursements by \$450,231. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any of the ten functions and no disbursements exceeded departmental appropriations.

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Other Supplementary Information

CEDAR COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	County Offices			
	County Auditor	County Recorder	County Sheriff	Board of Supervisors
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	-
Other County officials	25,180	25,388	17,556	5,935
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	1,280	-	-
Accrued interest	-	-	-	-
Total assets	<u>\$ 25,180</u>	<u>\$ 26,668</u>	<u>\$ 17,556</u>	<u>\$ 5,935</u>
LIABILITIES				
Accounts payable	\$ -	\$ 16,616	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	10,052	-	-
Trusts payable	25,180	-	17,556	5,935
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 25,180</u>	<u>\$ 26,668</u>	<u>\$ 17,556</u>	<u>\$ 5,935</u>

<u>Agricultural</u>							
<u>Extension</u>	<u>Emergency</u>	<u>County</u>		<u>Area</u>	<u>E-911</u>		
<u>Education</u>	<u>Management</u>	<u>Assessor</u>	<u>Schools</u>	<u>Schools</u>	<u>Service</u>	<u>Center</u>	<u>Corporations</u>
\$ 1,111	\$ 57,886	\$ 254,038	\$ 148,478	\$ 7,587	\$ 18,340	\$	34,350
-	-	-	-	-	-	-	-
424	-	1,816	55,942	2,758	-	-	21,424
71,000	-	305,000	9,199,000	459,000	-	-	3,397,000
-	-	-	-	-	27,225	-	-
-	-	-	-	-	12	-	-
<u>\$ 72,535</u>	<u>\$ 57,886</u>	<u>\$ 560,854</u>	<u>\$ 9,403,420</u>	<u>\$ 469,345</u>	<u>\$ 45,577</u>	<u>\$</u>	<u>3,452,774</u>
\$ -	\$ 103	\$ 1,781	\$ -	\$ -	\$ 1,538	\$	-
-	165	5,369	-	-	-	-	-
72,535	57,618	536,023	9,403,420	469,345	44,039	-	3,452,774
-	-	-	-	-	-	-	-
-	-	17,681	-	-	-	-	-
<u>\$ 72,535</u>	<u>\$ 57,886</u>	<u>\$ 560,854</u>	<u>\$ 9,403,420</u>	<u>\$ 469,345</u>	<u>\$ 45,577</u>	<u>\$</u>	<u>3,452,774</u>

CEDAR COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	City Special Assessments	Townships	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 1,821	\$ 4,305	\$ 46	\$ 374,991
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,492	17	-
Succeeding year	-	262,000	3,000	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	<u>\$ 1,821</u>	<u>\$ 267,797</u>	<u>\$ 3,063</u>	<u>\$ 374,991</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 13,062
Salaries and benefits payable	-	-	-	-
Due to other governments	1,821	267,797	3,063	361,929
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 1,821</u>	<u>\$ 267,797</u>	<u>\$ 3,063</u>	<u>\$ 374,991</u>

See accompanying independent auditor's report.

<u>Cedar County Solid Waste Commission</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Empowerment Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 19,974	\$ 922,927
168,836	-	-	242,895
-	-	-	83,873
-	-	-	13,696,000
-	2,605	455	31,565
-	-	12	24
<u>\$ 168,836</u>	<u>\$ 2,605</u>	<u>\$ 20,441</u>	<u>\$ 14,977,284</u>
\$ -	\$ -	\$ -	\$ 33,100
-	-	-	5,534
168,836	-	20,441	14,869,693
-	2,605	-	51,276
-	-	-	17,681
<u>\$ 168,836</u>	<u>\$ 2,605</u>	<u>\$ 20,441</u>	<u>\$ 14,977,284</u>

CEDAR COUNTY
STATEMENT OF NET ASSETS
NONMAJOR INTERNAL SERVICE FUND
June 30, 2004

	County Offices			
	County Auditor	County Recorder	County Sheriff	Board of Supervisors
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 24,653	\$ 30,594	\$ 16,368	\$ 8,329
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	33,003	328,308	72,441	-
Solid waste fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Interest on investments	-	60	-	-
Trusts	593	-	362,512	17,623
Miscellaneous	-	-	-	-
Total additions	33,596	328,368	434,953	17,623
Deductions:				
Agency remittances:				
To other funds	33,003	201,779	71,216	-
To other governments	-	130,515	1,225	-
Trusts paid out	66	-	361,324	20,017
Total deductions	33,069	332,294	433,765	20,017
Balances end of year	\$ 25,180	\$ 26,668	\$ 17,556	\$ 5,935

CEDAR COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR INTERNAL SERVICE FUNDS
 June 30, 2004

<u>Agricultural Extension Education</u>	<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911 Service Center</u>	<u>Corporations</u>
\$ <u>72,760</u>	\$ <u>53,929</u>	\$ <u>480,781</u>	\$ <u>9,610,926</u>	\$ <u>492,752</u>	\$ <u>43,717</u>	\$ <u>2,901,443</u>
70,887	-	306,225	9,222,669	460,172	-	3,415,133
3,868	-	13,525	512,283	26,350	-	129,701
-	-	-	-	-	109,257	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	129	-
-	-	-	-	-	-	-
-	27,656	5,241	-	-	102	-
<u>74,755</u>	<u>27,656</u>	<u>324,991</u>	<u>9,734,952</u>	<u>486,522</u>	<u>109,488</u>	<u>3,544,834</u>
-	-	-	-	-	-	-
74,980	23,699	244,918	9,942,458	509,929	107,628	2,993,503
-	-	-	-	-	-	-
<u>74,980</u>	<u>23,699</u>	<u>244,918</u>	<u>9,942,458</u>	<u>509,929</u>	<u>107,628</u>	<u>2,993,503</u>
\$ <u>72,535</u>	\$ <u>57,886</u>	\$ <u>560,854</u>	\$ <u>9,403,420</u>	\$ <u>469,345</u>	\$ <u>45,577</u>	\$ <u>3,452,774</u>

CEDAR COUNTY
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR INTERNAL SERVICE FUNDS
 Year Ended June 30, 2004

	City Special Assessments	Townships	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax
ASSETS AND LIABILITIES				
Balances beginning of year	\$ -	\$ 264,090	\$ 3,071	\$ 321,302
Additions:				
Property and other County tax	-	262,601	2,906	-
State tax credits	-	14,234	159	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Solid waste fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	4,288,062
Assessments	11,372	-	-	-
Interest on investments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>11,372</u>	<u>276,835</u>	<u>3,065</u>	<u>4,288,062</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	151,286
To other governments	9,551	273,128	3,073	4,083,087
Trusts paid out	-	-	-	-
Total deductions	<u>9,551</u>	<u>273,128</u>	<u>3,073</u>	<u>4,234,373</u>
Balances end of year	<u>\$ 1,821</u>	<u>\$ 267,797</u>	<u>\$ 3,063</u>	<u>\$ 374,991</u>

See accompanying independent auditor's report.

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CEDAR COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2004

<u>Tax Sale Redemption Trust</u>	<u>Cedar County Solid Waste Commission</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Empowerment Fund</u>	<u>Total</u>
\$ <u>-</u>	\$ <u>211,929</u>	\$ <u>-</u>	\$ <u>15,001</u>	\$ <u>14,551,645</u>
-	-	-	-	13,740,593
-	-	-	-	700,120
-	-	-	-	109,257
-	-	-	-	433,752
-	351,934	-	-	351,934
-	-	-	-	4,288,062
-	-	-	-	11,372
-	2,391	-	180	2,760
134,422	-	31,707	-	546,857
-	-	-	111,729	144,728
<u>134,422</u>	<u>354,325</u>	<u>31,707</u>	<u>111,909</u>	<u>20,329,435</u>
-	397,393	-	-	854,677
-	25	-	106,469	18,504,188
<u>134,422</u>	<u>-</u>	<u>29,102</u>	<u>-</u>	<u>544,931</u>
<u>134,422</u>	<u>397,418</u>	<u>29,102</u>	<u>106,469</u>	<u>19,903,796</u>
\$ <u>-</u>	\$ <u>168,836</u>	\$ <u>2,605</u>	\$ <u>20,441</u>	\$ <u>14,977,284</u>

	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Property and other County tax	\$ 7,012,214	\$ 6,690,840	\$ 5,889,076	\$ 5,200,120
Interest and penalty on property tax	42,988	53,615	51,364	45,982
Intergovernmental	6,049,649	5,410,255	5,519,420	5,418,021
Licenses and permits	37,607	37,485	35,548	31,550
Charges for service	1,014,487	949,345	838,268	787,700
Use of money and property	133,402	184,118	248,347	383,837
Miscellaneous	92,648	77,697	96,020	65,346
Total revenues	<u>\$ 14,382,995</u>	<u>\$ 13,403,355</u>	<u>\$ 12,678,043</u>	<u>\$ 11,932,556</u>
Expenditures:				
Current:				
Public safety and legal services	\$ 2,096,878	\$ 2,054,822	\$ 1,767,206	\$ 1,513,518
Physical health and social services	1,093,385	991,774	1,055,741	996,733
Mental health	2,306,745	2,290,119	2,223,734	2,160,664
County environment and eradication	884,024	775,269	824,529	723,778
Roads and transportation	4,110,795	4,288,196	3,796,189	3,915,839
Government services to residents	400,840	345,902	339,392	320,205
Administration	1,274,758	1,208,071	1,063,962	1,011,791
Debt service	694,515	703,100	705,003	510,658
Capital projects	744,764	394,361	696,457	3,600,556
Total expenditures	<u>\$ 13,606,704</u>	<u>\$ 13,051,614</u>	<u>\$ 12,472,213</u>	<u>\$ 14,753,742</u>

See accompanying independent auditor's report.

CEDAR COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2004

	City Special Assessments	Townships	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 1,821	\$ 4,305	\$ 46	\$ 374,991
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,492	17	-
Succeeding year	-	262,000	3,000	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	<u>\$ 1,821</u>	<u>\$ 267,797</u>	<u>\$ 3,063</u>	<u>\$ 374,991</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 13,062
Salaries and benefits payable	-	-	-	-
Due to other governments	1,821	267,797	3,063	361,929
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 1,821</u>	<u>\$ 267,797</u>	<u>\$ 3,063</u>	<u>\$ 374,991</u>

See accompanying independent auditor's report.

<u>Cedar County Solid Waste Commission</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Empowerment Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 19,974	\$ 922,927
168,836	-	-	242,895
-	-	-	83,873
-	-	-	13,696,000
-	2,605	455	31,565
-	-	12	24
<u>\$ 168,836</u>	<u>\$ 2,605</u>	<u>\$ 20,441</u>	<u>\$ 14,977,284</u>
\$ -	\$ -	\$ -	\$ 33,100
-	-	-	5,534
168,836	-	20,441	14,869,693
-	2,605	-	51,276
-	-	-	17,681
<u>\$ 168,836</u>	<u>\$ 2,605</u>	<u>\$ 20,441</u>	<u>\$ 14,977,284</u>

CEDAR COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2004

	County Offices			
	County Auditor	County Recorder	County Sheriff	Board of Supervisors
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 24,653	\$ 30,594	\$ 16,368	\$ 8,329
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	33,003	328,308	72,441	-
Solid waste fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Interest on investments	-	60	-	-
Trusts	593	-	362,512	17,623
Miscellaneous	-	-	-	-
Total additions	33,596	328,368	434,953	17,623
Deductions:				
Agency remittances:				
To other funds	33,003	201,779	71,216	-
To other governments	-	130,515	1,225	-
Trusts paid out	66	-	361,324	20,017
Total deductions	33,069	332,294	433,765	20,017
Balances end of year	\$ 25,180	\$ 26,668	\$ 17,556	\$ 5,935

<u>Agricultural Extension Education</u>	<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911 Service Center</u>	<u>Corporations</u>
\$ <u>72,760</u>	\$ <u>53,929</u>	\$ <u>480,781</u>	\$ <u>9,610,926</u>	\$ <u>492,752</u>	\$ <u>43,717</u>	\$ <u>2,901,443</u>
70,887	-	306,225	9,222,669	460,172	-	3,415,133
3,868	-	13,525	512,283	26,350	-	129,701
-	-	-	-	-	109,257	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	129	-
-	-	-	-	-	-	-
-	27,656	5,241	-	-	102	-
<u>74,755</u>	<u>27,656</u>	<u>324,991</u>	<u>9,734,952</u>	<u>486,522</u>	<u>109,488</u>	<u>3,544,834</u>
-	-	-	-	-	-	-
74,980	23,699	244,918	9,942,458	509,929	107,628	2,993,503
-	-	-	-	-	-	-
<u>74,980</u>	<u>23,699</u>	<u>244,918</u>	<u>9,942,458</u>	<u>509,929</u>	<u>107,628</u>	<u>2,993,503</u>
\$ <u><u>72,535</u></u>	\$ <u><u>57,886</u></u>	\$ <u><u>560,854</u></u>	\$ <u><u>9,403,420</u></u>	\$ <u><u>469,345</u></u>	\$ <u><u>45,577</u></u>	\$ <u><u>3,452,774</u></u>

CEDAR COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2004

	<u>City Special Assessments</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Auto License and Use Tax</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ -	\$ 264,090	\$ 3,071	\$ 321,302
Additions:				
Property and other County tax	-	262,601	2,906	-
State tax credits	-	14,234	159	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Solid waste fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	4,288,062
Assessments	11,372	-	-	-
Interest on investments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>11,372</u>	<u>276,835</u>	<u>3,065</u>	<u>4,288,062</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	151,286
To other governments	9,551	273,128	3,073	4,083,087
Trusts paid out	-	-	-	-
Total deductions	<u>9,551</u>	<u>273,128</u>	<u>3,073</u>	<u>4,234,373</u>
Balances end of year	<u>\$ 1,821</u>	<u>\$ 267,797</u>	<u>\$ 3,063</u>	<u>\$ 374,991</u>

See accompanying independent auditor's report.

<u>Tax Sale Redemption Trust</u>	<u>Cedar County Solid Waste Commission</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Empowerment Fund</u>	<u>Total</u>
\$ -	\$ 211,929	\$ -	\$ 15,001	\$ 14,551,645
-	-	-	-	13,740,593
-	-	-	-	700,120
-	-	-	-	109,257
-	-	-	-	433,752
-	351,934	-	-	351,934
-	-	-	-	4,288,062
-	-	-	-	11,372
-	2,391	-	180	2,760
134,422	-	31,707	-	546,857
-	-	-	111,729	144,728
134,422	354,325	31,707	111,909	20,329,435
-	397,393	-	-	854,677
-	25	-	106,469	18,504,188
134,422	-	29,102	-	544,931
134,422	397,418	29,102	106,469	19,903,796
\$ -	\$ 168,836	\$ 2,605	\$ 20,441	\$ 14,977,284

CEDAR COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Property and other County tax	\$ 7,012,214	\$ 6,690,840	\$ 5,889,076	\$ 5,200,120
Interest and penalty on property tax	42,988	53,615	51,364	45,982
Intergovernmental	6,049,649	5,410,255	5,519,420	5,418,021
Licenses and permits	37,607	37,485	35,548	31,550
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Miscellaneous	92,648	77,697	96,020	65,346
Total revenues	<u>\$ 14,382,995</u>	<u>\$ 13,403,355</u>	<u>\$ 12,678,043</u>	<u>\$ 11,932,556</u>
Expenditures:				
Current:				
Public safety and legal services	\$ 2,096,878	\$ 2,054,822	\$ 1,767,206	\$ 1,513,518
Physical health and social services	1,093,385	991,774	1,055,741	996,733
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Total expenditures	<u>\$ 13,606,704</u>	<u>\$ 13,051,614</u>	<u>\$ 12,472,213</u>	<u>\$ 14,753,742</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Cedar County:

We have audited the financial statements of Cedar County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 20, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cedar County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items II-K-04 and II-L-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cedar County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for items I-A-04, I-B-04, I-C-04, I-D-04, I-E-04 and I-F-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cedar County and other parties to whom Cedar County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cedar County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 20, 2005

CEDAR COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Auditor, County Care Facility, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Auditor, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension, County Care Facility, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-04 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – The Auditor will evaluate the assignment of personnel in each process within the department with respect to internal control. Numerous changes have been made to better segregate the duties. Cross training of staff has been a focus of the department, which has allowed for better segregation of duties. Every effort will be made to continue to make improvements.

County Care Facility – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We will continue to try to better segregate the duties of the office. We have made several changes in procedures used when opening mail, and handling checks and deposits. Although the size of the staff makes it difficult to make all of the personnel changes addressed in the review, we have made many, and will continue to try to meet the guidelines set out in the review.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

I-B-04 County Sheriff Bank Reconciliation

Comment – There are \$718 of outstanding checks in the fees account that we were unable to reconcile at June 30, 2004. There are also several refund checks which are more than a year old which the Sheriff's office should consider writing off.

Recommendation – The Sheriff's office should review the outstanding checks and write off any checks that are over one year of age which can not be resolved.

Response – We will investigate the variance. Checks over one year of age which can not be resolved will be written off and submitted to the County General Fund.

Conclusion – Response accepted.

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-C-04 Financial Condition

Comment – The Special Revenue, Tax Increment Financing Fund had an unreserved, undesignated fund deficit of \$9,102 at June 30, 2004.

Recommendation – The County should investigate alternatives to return this Fund to a sound financial condition.

Response – The Tax Increment Financing Fund has yet to collect assessed revenues and is currently operating with a loan from the Secondary Road Fund. We expect the needed revenues to be available soon. We will try to maintain a positive balance in the Tax Increment Financing Fund in the future.

Conclusion – Response accepted.

I-D-04 Disbursement Support

Comment – We noted two disbursements out of forty tested that had no supporting invoice or other documentation.

Recommendation – No disbursements should be made in the future for any reason without the proper invoice, receipts, or other supporting documentation.

Response – We will require the proper documentation in the future prior to making any disbursements.

Conclusion – Response accepted.

I-E-04 Expenditures Netted to Revenues

Comment – We noted that expenditures totaling \$1,840 associated with the Sheriff's rooming and boarding of prisoners and \$35 from the E-911 Service Center were netted to the related revenues. The Board of Supervisors is not approving these expenditures and the budget is bypassed as a result of the netting.

Recommendation – The County should run all expenditures through an appropriate expenditure account instead of netting some to revenue accounts. This allows the Board a chance to review the expenditures and the expenditures are properly reflected in budgeted totals.

Response – We have set up a new departmental account code to record the expenditures of these County room and board revenues through normal County claim procedures starting in July 2004. We reclassified these expenditures for reporting purposes so they were included in the actual budgeted totals.

Conclusion – Response accepted.

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-F-04 Timely Deposits of Receipts

Comment – We noted that the Solid Waste Transfer Station receipts are not always deposited in a timely manner. Some receipts are held as long as 26 days before actually being deposited to the Transfer Station account. We also noted one receipt for \$21,731 held by the Empowerment Board for 14 days before being deposited.

Recommendation – All receipts should be timely deposited to protect the underlying assets. Deposits should be made on a weekly basis at a minimum.

Response – We will consider our collection and deposit procedures and we will make any necessary changes for the future.

Conclusion – Response accepted.

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted in any of the ten County functions.
- II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-G-04 Board Minutes – We noted two transfers that we believe should have been approved in the Board minutes but were not.

Recommendation – All transfers should be approved by the Board and included in the Board minutes as required by Section 331.432 of the Code of Iowa.

Response – This was an oversight for this year. We will properly approve all transfers in the future as required.

Conclusion – Response accepted.

- II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-I-04 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-J-04 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:

- II-K-04 Solid Waste Transfer State Fees – Dumping fees collected by the transfer station are being deposited into a separate bank account maintained by the Solid Waste Commission before being released to the County Auditor. A significant amount of fees collected (\$168,836) remains in this account as of June 30, 2004.

Recommendation – The fees and other charges collected by the solid waste transfer station should be turned over to the Auditor as required by the 28E administrative agreement. The money needs to be transferred to the Auditor on a timely basis to avoid deficits since the County administers and pays all bills and salaries for the transfer station. The Solid Waste Commission's savings account should be signed over to the Auditor. Deposits can still be made into this account by the transfer station. The Treasurer and Auditor could then record the interest in the Solid Waste Disposal account and make transfers to cover Solid Waste bills as needed.

Response – We have corrected our procedures for collection of these funds as of November 2004.

Conclusion – Response accepted.

- II-L-04 Promissory Note Payments – We noted that payments of principal and interest for the County's promissory notes were made through the County Environment and Education function rather than the Debt Service function.

Recommendation – All payments on long-term debt such as promissory notes should be budgeted and paid through the Debt Service function of the County to more properly reflect the true functional expenditure totals.

Response – We will properly make all debt service payments through the Debt Service function in the future.

Conclusion – Response accepted.

- II-M-04 Transfers – Chapter 331.429 of the Code of Iowa outlines the maximum allowable transfers of funds from the General Basic Fund to the Special Revenue, Secondary Roads Fund. During the year ended June 30, 2004, the County exceeded the maximum allowable transfers from the General Fund.

Recommendation – The County should be aware of the maximum allowable transfers and monitor these during the course of the year to insure compliance with the Code of Iowa.

Response – This was a miscalculation on our part for this year. We will be more careful in the future to insure compliance with the Code of Iowa.

Conclusion – Response accepted.

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